

**QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE**

SEPTEMBER 17, 2007

PUBLIC SESSION MINUTES

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the “Corporation”) was held at 3:00 p.m. on Monday, September 17, 2007, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Robert Crowley, Barbara Jackson, and John G. Simpson. Also present were: Steven J. King, COO; Kevin M. Barry, Controller; and Chantale Sarrasin, House Fiscal Office.

1. CALL TO ORDER:

The meeting was called to order at 3:05 p.m. by Mr. Crowley.

2. APPROVAL OF MINUTES:

Upon motion duly made by Barbara Jackson and seconded by John G. Simpson, the Committee:

**VOTED: To approve the minutes of the September 18, 2006 meeting,
as presented.**

Voting in favor were: Mr. Crowley, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

3. FY2009 OPERATING BUDGET:

Mr. Barry asked the Committee to recommend to the Board, tabling the FY2009 Operating Budget at this time. Mr. Barry explained that until the Corporation settles the cash flow issue surrounding the \$3.5 million transfer due to the State, the FY2009 Operating Budget should be approved.

Mr. Crowley asked how the Corporation was going to reconcile the FY2008 Budget when the legislature has said, "that notwithstanding any provisions, the Corporation shall transfer \$3.5 million by June 30, 2008". Mr. Crowley also brought to the Committee's attention that although the Corporation has no debt, there is another memorandum

that refers to this transfer as 'debt service'. Additionally, under the law that created QDC, it clearly states that debt service shall be the first thing paid even before payroll. Mr. Crowley pointed out that the Board should be informed of the issues facing the FY2008 budget.

Mr. Barry clarified that although the State could, at any point, have the Corporation pay the debt service on the GO Bonds; the financial numbers that QDC has provided the State on a yearly basis clearly shows that the Corporation is not fiscally capable to pay the debt service on either an operating or capital level. Mr. Barry added that this request for transfer came out of the blue, there were no notifications prior to the transfer being added to the State's FY2008 Budget. Mr. Barry commented that the State is also looking for QDC to pay back the FRIP.

Mr. King clarified that the FRIP project was in 1996 and involved a bond for \$72 million. The Bond was actually approved by voters for RIEDC. Mr. King stated that \$50 million went toward freight rail improvements under DOT and \$22 million went to Quonset from RIEDC.

Mr. Crowley asked if this was debt service.

Mr. King stated that the State Budget that was passed did not refer to the payment as debt service.

The FY2009 Operating Budget was discussed further in detail with questions from the Committee members.

Upon motion duly made by Ms. Jackson and seconded by Mr. Simpson, the Committee:

VOTED: To table the FY2009 Budget until the end of the FY2008 cash transfer of \$3.486 million to the State has been resolved.

Voting in favor were: Mr. Crowley, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

4. FY2007 AUDITED FINANCIAL STATEMENTS:

Mr. Jim Prescott and Ms. Deborah Mitchell from the accounting firm of Braver PC, entered the meeting at 4:00 pm.

Mr. Crowley requested that there be a pre-audit meeting for the Audit Finance Committee with Braver, PC going forward.

Ms. Mitchell walked the Committee through the audited year end financial statements for FY2007. A discussion began as a result of the word “unrestricted” under net assets reflecting a \$6 million

balance. Ms. Jackson requested that there be a Note 9 that would indicate that although the funds are unrestricted by accounting terms, they are not available for withdrawal. Ms. Mitchell stated that she has seen a footnote used to make this type of distinction before under GASBY standards.

Ms. Mitchell advised the Committee that based on comments from the Auditor General; the term “other” (page 5) under non-current liabilities has been changed to “deferred revenue” and some of the revenue has been moved to “deferred revenue” under current liabilities. Ms. Mitchell explained that the total liabilities remained the same but the Auditor General requested a more detailed explanation of “other”. The firm researched items under “other” and found that the “deferred revenue” were mainly month to month leases which would fall under current liabilities.

Ms. Mitchell added that GASBY 45 will need to be added to Note 1 (Significant Accounting Policy) for FY2008. This policy relates to post retirement benefits.

Ms. Mitchell stated that under the Management points there is a recommendation to take steps to limit incompatible duties.

Mr. Barry agreed to submit the Management’s response to the recommendation to be included in the financials per the Committee’s request.

Upon motion duly made by Mr. Simpson and seconded by Ms. Jackson, the Committee:

VOTED: To approve the Fiscal 2007 Audited Financial Statements with addition of Note 9 and Management Response.

Voting in favor were: Mr. Crowley, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

There being no further business to come before the Committee, upon motion duly made by Mr. Simpson and seconded by Ms. Jackson, the meeting was adjourned at 4:40 p.m.

Respectfully submitted by:

Kevin M. Barry, Controller